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Congress of the United States

House of Representatives

COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEES:

COMMERCE, JUSTICE, SCIENCE
LABOR, HEALTH AND HUMAN SERVICES,
EDUCATION

SENIOR WHIP

CONGRESSIONAL ASIAN PACIFIC
AMERICAN CAUCUS, CHAIR EMERITUS

SUSTAINABLE ENERGY AND ENVIRONMENT
COALITION, VICE CHAIR

LGBT EQUALITY CAUCUS,
VICE CHAIR

Dear Congressman Gerlach and Congresswoman Sanchez:

As the Ways and Means Committee moves forward with efforts to reform the tax code, I am writing to urge the Committee to consider H.R. 615, the "Market Based Manufacturing Incentives Act," which will put in place a tax incentive to boost domestic manufacturing that allows the private sector and free markets to pick winners and losers instead of the government, and H.R. 616, the "Scaling Up Manufacturing Act," which would let startups write off 25% of the costs to construct their first domestic manufacturing facility.

Our nation's shift from a manufacturing economy to a service economy has endangered our middle class and eroded our position of global leadership, and threatens to drive us into permanent decline. There are plenty of symptoms of our economic struggle – growing wage inequality, trade deficits, and mounting national debt – but diagnosing one of the core problems is simple enough: We do not make things in America anymore.

It does not have to be this way. There are a number of steps we can take, but they have to address the root cause. The first thing we must do is start providing incentives to level the playing field so that it makes economic sense for companies to decide to manufacture in the United States.

We may not be able to match the incentives offered by our trading partners and international competitors dollar-for-dollar, but we can make the choice competitive enough that we can leverage the inherent advantages that our country still offers to industry: the research and development for the vast number of market-changing products is still done in the US; and the US continues to be the largest market in the world.

The Market Based Manufacturing Incentives Act capitalizes on these competitive advantages. It creates a nonpartisan commission of experts from the private sector that will identify the next wave of disruptive technologies (technologies that create new markets and displace earlier technologies) and designate them for a tax credit to the consumer if they are manufactured in the United States. The commission will also recommend the size (between 5 and 20 percent) and the duration (from 5 to 10 years) of a consumer tax credit for each product. The tax credit will be made available to the consumers of the designated products, whether businesses or individuals, giving domestically manufactured products a leg up in the marketplace.

The Scaling Up Manufacturing (SUM) Act targets incentives at emerging businesses with a 25% tax credit on expenditures toward the construction, purchase, or lease of their *first* domestic manufacturing facility. The SUM Act remains broadly based by focusing on a particular point in the business cycle common to nearly all manufacturers, and – by doing so – avoids favoritism that plagues some of our current tax policy. To recapture manufacturing, we need to turn inventors into business owners and ideas into action. These incentives would accomplish just that by tying our nation's positive R&D trends to job creation and revitalization of the manufacturing sector.

These measures will not just encourage U.S. companies to keep their manufacturing in America, but will also bring in manufacturers from abroad who want the advantage that domestic manufacturing grants them in our marketplace. They will not only bring their business, but also the sustainable middle class jobs that come with them.

The time has come for the United States to address the root causes of our economic problems so that we can reorient our economy for global leadership in the 21st century.

I look forward to working with the members of the Committee to help our country reach its manufacturing and innovative potential as the Congress undertakes long-overdue tax reform.

Sincerely,

A handwritten signature in blue ink, reading "Michael M. Honda", with a long horizontal flourish extending to the right.

Michael M. Honda
Member of Congress